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P 220401Z SEP 07
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 0392
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC 0532
RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RUEABND/DEA HQS WASHINGTON DC
RHMFIUU/HQ USCENTCOM MACDILL AFB FL
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 4215
RUEHFR/AMEMBASSY PARIS 2983
RUEHML/AMEMBASSY MANILA 1615
RUEHBY/AMEMBASSY CANBERRA 0275
RUEHOT/AMEMBASSY OTTAWA 1395
RUEHNE/AMEMBASSY NEW DELHI 7127
RUEHJA/AMEMBASSY JAKARTA 0060
RUEHRL/AMEMBASSY BERLIN 2111
RUEHUL/AMEMBASSY SEOUL 0082
RUEHLO/AMEMBASSY LONDON 3756
RUEHKO/AMEMBASSY TOKYO 1954

UNCLAS KABUL 003198

SIPDIS

DEPT FOR SCA/FO, SCA/RA, AND SCA/A (A/S BOUCHER, GASTRIGHT,DEUTSCH)
DEPT PASS AID/ANE, OPIC
DEPT PASS USTR FOR GERBER AND KLEIN
DEPT PASS OPIC FOR ZAHNISER
CENTCOM FOR CG CFC-A, CG CJTF-76, POLAD, JICENT
NSC FOR JWOOD
TREASURY FOR ABAUKOL AND BDAHL
MANILA PLEASE PASS ADB/USED
PARIS FOR OECD/ENERGY ATTACHE
OSD FOR SHIVERS, SHINN
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH

SENSITIVE
SIPDIS

E.O. 12958 N/A
TAGS: [ENRG](#) [EFIN](#) [EPET](#) [ETRD](#) [KPWR](#) [EAID](#) [PGOV](#) [AF](#)
SUBJECT: AF: Fuel price spikes stabilizing, Iran blamed.

Sensitive but Unclassified

11. (U) Reporting from Embassy PRT's as well as Kabul-based Embassy FSN's confirmed that July and August 2007 saw an increase in fuel prices across Afghanistan that quickly caused an up-tick in other prices, as well as increased grumbling against the government in Afghanistan's coffee house conversations. Fuel (gasoline) prices jumped from an average of USD .70 (35 Afghanis) per liter to approximately one (1) USD per liter (55 Afghanis), or USD 3.70 per gallon. A Central Bank (DAB) official recently told Embassy Treasury Attach that the surge in fuel prices occurred several months ago, but its impact is only recently being felt. The official also claimed that fuel prices have started to decline since the July/August surge.

12. (U) Citing higher transportation costs, many shopkeepers have increase prices. Ghee (clarified butter) and sugar, basic staples in the local diet, have seen as much as a ten percent increase according to monthly Market Basket Survey results from PRT Mazar-e-Sharif, with similar results from other PRT's. Mazar residents complain rising public transportation prices have made it increasingly inaccessible to the groups it is aimed at serving.

13. (U) In a recent meeting with U.S. Commerce Secretary Gutierrez,

Minister of Commerce and Industry Farhang and Finance Minister Ahady blamed the price hikes on Iran's recent decision to restrict the export of gasoline. They described the move as a result of Iranian anticipation that increasingly stringent economic sanctions were soon to be applied by the international community. According to Ahady and Farhang, Iran lacks sufficient refining capacity and is a net importer of gasoline. The prohibition on exports was reportedly aimed at creating a sufficient domestic stockpile in anticipation of economic hard times. The ministers claim that as a result, regional trade patterns have been disrupted and some neighboring nations have imposed a USD 100/ton export levy on gasoline. Afghanistan has only one small refinery and is basically dependent on imported gasoline for all its fuel needs.

¶4. (U) Comment: While any increase in fuel prices and/or the regular Afghan basket of good requires close observation, a jump in fuel prices prior to the "heating" season in Afghanistan, which begins in mid-November, is cause for increased monitoring and concern. Afghans already deal with a lack of sufficient electricity for lighting. Increases in fuel costs, transportation costs and everyday living expenses as well as possible spikes in home heating fuel cost could create difficulties for many in the coming months, and might translate into public calls for the IROA to "do something," and a commensurate erosion of support for the government. End Comment.

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